

# THE CORPORATION OF THE CITY OF WINDSOR POLICY

Primary Owner:	Office of the Chief Financial Officer/City Treasurer	Policy No.:	TBD
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Subject:	<b>CORPORATE ACCOUNTS RECEIVABLE POLICY</b>	Effective Date:	<b>Immediate</b>
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## 1. POLICY

1.1. This policy is intended to govern the issuance of necessary accounts receivable (AR), that are in the best interest of, and further support the operations of the City. It is the City's preference to receive payment by cash, debit or credit card where available at point of sale, delivery or completion of service.

## 2. PURPOSE

2.1. To provide guidelines that will facilitate timely, accurate, consistent and properly authorized issuance of accounts receivable that in turn support efficient and effective collection of said receivables.

2.2. To outline the common types of accounts receivable and their requirements prior to issuing.

## 3. SCOPE

3.1. This policy applies to all City of Windsor Departments, agencies, boards, commissions and committees (ABCs) funded by the City of Windsor, in whole or part, or whose governing body contains City of Windsor representation **and** whose financial transactions are accounted for within the City of Windsor's financial systems.

3.2. This policy also applies to City of Windsor Departments that generate accounts receivable invoices utilizing operating systems that include: PeopleSoft, Amanda, ACTIVE Net, Med-e-Care, etc.

3.3. Accounts receivable include all charges invoiced by City Departments and relevant ABCs (as defined in Section 3.1) for goods, services and financial commitments to the City.

## 4. RESPONSIBILITY

4.1. The **Chief Financial Officer (CFO)/City Treasurer** or designate, is responsible to:

4.1.1. Approve department documented procedures or checklists ensuring compliance and reasonable controls are in place.

4.1.2. Investigate/review alleged policy non-compliance and authorize invoice reversal when applicable.

4.1.3. Direct the review of this policy, at a minimum every five (5) years, or sooner if required and recommend updates as necessary.

4.2. The **Executive Directors** (or ABC equivalents), or designates, are responsible to:

4.2.1. Develop department specific accounts receivable procedures or utilize recommended 'AR Billing Checklist' to facilitate compliance with this policy.

4.2.2. Communicate this policy and train those performing AR functions.

- 4.2.3. Provide, in writing, names of individuals (i.e. Managers, Supervisors or Equivalents), with the authority to approve AR adjustments and/or cancellations to the Manager of Accounting Services.
  - 4.2.4. Maintain AR records for their respective areas, in accordance with the City's Schedule of Retention Periods for Records By-Law.
  - 4.2.5. Provide AR support documentation to the Manager of Accounting Services and/or Finance Collections area upon request.
  - 4.2.6. Resolve customer billing disputes.
- 4.3. The **Manager of Accounting Services** or designate, is responsible to:
- 4.3.1 Review all AR adjustments/cancellations, excluding write-offs. Write-offs must comply with the Accounts Receivable Collection Policy (CS.A4.07).
  - 4.3.2 Maintain a listing of individuals designated by Executive Directors to approve the AR Invoice Adjustment/Cancellation Form.

## 5. GOVERNING RULES AND REGULATIONS

### 5.1. GENERAL

- 5.1.1. Section 391 of the Municipal Act, 2001 allows a municipality to pass by-laws imposing fees or charges on any class of persons for services or activities or for the use of its properties. As such, all corporate accounts receivable that are allowable charges under the "Act, Part XII, Fees and Charges", must also mirror the fees as scheduled within the most current City Council approved, "City of Windsor User Fee Schedule".
  - 5.1.1.1. All other invoices must be in compliance with applicable Council resolutions, agreements, contracts etc.
- 5.1.2. It is not the intent of this policy to facilitate the establishment of lending criteria through credit applications, credit checks or other standardized means of extending credit. However, departments must evaluate any known risks through past experience, prior financial dealings, or potential insolvency - prior to providing goods or services.
- 5.1.3. When departments have been advised of an account that has become seriously delinquent, the respective Executive Director should consider discontinuation of services. Where service has been discontinued, prior to re-instating, departments should contact Finance Collections staff to verify the customer's payment status.
- 5.1.4. The Corporate AR system should **NOT** be used for inter-departmental billings. Alternatives should be utilized where practical.
- 5.1.5. Disputed AR invoices in whole or in part, which cannot be supported by Departments, will be reversed.
- 5.1.6. Should it be determined that a Department has not followed the guidelines of this policy, performed due diligence, or by action or in-action rendered a receivable non-collectible, the Finance Department reserves the right to reverse the invoice, effectively reducing the Department's revenue.
- 5.1.7. Under **NO** circumstances will the AR invoice be created using Microsoft Office format (such as Word, Excel, etc.), Pre-Made Templates or own design, unless interfaced with the financial management system.
- 5.1.8. An accounts receivable invoice in foreign currency (i.e. USD) must be referred to the Manager of Accounting Services for action.

**5.1.9.** The City provides services for the improvement of capital assets under an agreement, contract, or written acknowledgement (e.g. watermain construction project, etc.). For works performed and completed by the City, unless specifically otherwise directed in writing by a Senior Manager, billings to external customers must be monthly or upon service completion. Department must prepare the AR invoice accurately, efficiently and on a timely basis to permit recording of revenue / recoveries and generation of cash flows.

**5.1.10.** Notwithstanding this policy, costs associated with damage to City of Windsor property as a result of a motor vehicle accident or similar insurable claims should not be invoiced. Cost claims by department, including copies of police reports, should be forwarded to Risk Management to initiate restitution claims with the insurer.

## **5.2. TYPES OF ACCOUNTS RECEIVABLE RELATED TO THIS POLICY:**

**5.2.1.** Accounts Receivable – Invoices generated from a City financial system or other departmental system (e.g. Amanda, Active.Net, etc) billed out to a customer for goods or services with payment terms 30 days, or less, from the invoice date.

**5.2.2.** Other Accounts Receivable – Invoices generated from a City financial system or other departmental system (e.g. Amanda, Active.Net, etc) billed out to a customer with payment terms greater than 30 days, but less than one (1) year from the invoice date.

**5.2.3.** Long-Term Receivables – Invoices generated from a City financial system, billed out to a customer with a portion of payment due greater than one (1) year from the invoice date.

**5.2.4.** Contracts / Agreements – Commonly used for long-term arrangements or special circumstances, accompanied by an AR invoice generated from a City financial system.

## **5.3. ACCOUNTS RECEIVABLE INVOICE AMOUNT**

**5.3.1.** The minimum amount to be invoiced for products and services should be **\$100.00** (including tax). Whenever possible, amounts due under one hundred (\$100) dollars for products or services should be paid in advance or collected at the point of service or delivery of product.

Where all possible, alternative payment options should be utilized before billing through the accounts receivable system.

## **5.4. BILLINGS**

**Departments issuing AR invoice must abide by the following best practices to facilitate timely and accurate billings:**

**5.4.1.** Customers should be billed immediately upon product delivery and/or service completion.

**5.4.2.** All AR invoices must be billed to the customer who will have the legal responsibility to pay the full amount. Refrain from using “to the attention of” a specific individual.

**5.4.3.** The AR invoice must be accurate and may contain the following:

- a) Customer legal name and complete address (refer to Section 5.4.2).
- b) Invoice or Bill Number
- c) Date or period of goods and/or services were provided
- d) Description of goods and/or services provided
- e) Net amount and applicable taxes
- f) Interest bearing or non-interest bearing

- g) Payment Term (e.g. Net 30)
- h) Billing Due Date (month, day, year specified)
- i) Remit Payment to or Remittance Address (Department address specified)
- j) Contact information for billing questions (Tel & Extension number specified)
- k) Other pertinent information as required
- l) Inclusion of attachments where applicable.

**5.4.4.** Acceptable payment options (depending upon location) are:

- Cash
- Debit Card or Credit Card
- Cheque
- Pre-Authorized Payment Plan (PAP)
- Electronic Fund Transfer (EFT) will be accepted upon approval by the Manager of Financial Accounting

**5.4.5.** AR invoices should be mailed out within three (3) business days of issuance as the interest calculation period is based on the invoice date.

**5.4.6.** Ensure that all corporate billings and/or adjustments are properly authorized and supported.

- Departments are expected to maintain supporting documentation for all corporate billings including appropriate authorizations. Supporting documentation might include work orders, progress certificates, executed contracts etc.

**5.4.7.** Ensure that any and all adjustments, cancellations or credit memos are properly authorized and supported.

- Departments must complete the AR Invoice Adjustment/Cancellation form and forward an appropriately approved form to Accounting Services with supporting documentation.

## **5.5. PAYMENT TERMS**

**5.5.1.** The standard payment term is Net 30 days – default financial system settings should be applied accordingly. Exceptions are permitted where specific, contractual, arrangements have been made and duly authorized.

**5.5.2.** Payment terms exceeding 30 days and/or specially contracted interest rates may be established with the assistance and direction of the Manager of Accounting Services. The following must be provided:

- Total amount due
- Payment date(s)
- Interest rate
- Customer contact information
- Department contact information
- Details of product/service provided

- Supporting Documentation; i.e. contracts and/or basis reports & corresponding council resolutions and option to add to Property Tax Roll of the property owner where applicable.

## **5.6. INTEREST ON ACCOUNTS RECEIVABLE**

**5.6.1.** Departments must issue, interest bearing AR invoice to incent timely payment and maximize interest revenue unless billings fall under section 5.6.1.1. Where interest bearing AR invoice are supported by a binding contract or agreement or written acknowledgement, a copy should be maintained in departmental file in order to facilitate collection thereof, otherwise terms should be non-interest bearing.

Wherever possible departments should seek to have a formal agreement, contract or written acknowledgement to support the collection of the interest charges.

**5.6.1.1.** Payment terms exceeding 30 days and/or specially contracted interest rates may be established with the assistance and direction of the Manager of Accounting Services (see section 5.5.2).

**5.6.2.** Interest rate added to accounts over 30 days will be in accordance with the City's User Fee Schedule.

## **5.7. LATE PAYMENT**

**5.7.1.** City Departments are encouraged to develop and execute contractual agreements allowing for the addition of late payment charges as approved by City Council within the annual user fee schedule.

## **6. RECORDS**

**6.1.** All accounts receivable records, reports, manual and electronic files must be retained and filed in accordance with the City's "Schedule of Retention Periods for Records By-Law".

## **7. REFERENCES AND RELATED DOCUMENTS**

**7.1.** Accounts Receivable Billing Checklist - APPENDIX A

**7.2.** Accounts Receivable Collection Policy (CS.A4.07)

**7.3.** Corporate Cheque Acceptance Policy

**7.4.** Corporate-Wide Cash Receipts Control Policy (CS.A7.07)

**7.5.** Accounts Receivable Adjustment Procedure (CS.B13.05)

**7.6.** Accounts Receivable Customer Set-Up and Maintenance Procedure (CS.B11.05)

**7.7.** Returned Cheques Procedure (FI.B5.11)

**7.8.** AR Invoice Adjustment / Cancellation Form

**7.9.** AR Billing Request Form

**7.10.** AR Customer Creation / Change Form

## Recommended AR Billing Checklist

As outlined in the Corporate Accounts Receivable Policy, prior to financial dealings with potential Accounts Receivable Customers:

- Departments must evaluate any known risks based on past experience, prior financial dealings, or potential insolvency prior to providing goods or services.
- The appropriate supporting documentation such as work orders, agreements, contracts etc. have been prepared and executed. Specifically, documentation outlining names, work to be completed, payment terms, customer signature etc. has been completed.
- Standard terms are Net 30 days, billings with terms exceeding 30 days and/or specifically contracted interest rates may be established where appropriate. Contact the Manager of Accounting Services for assistance.
- Minimum amount to be invoiced should be **\$100.00** (including tax). Whenever possible, amounts due under \$100 for products/services should be paid in advance or collected at point of service or delivery of product. Where all possible, alternative payment options should be utilized before billing through the accounts receivable system.

When issuing an Accounts Receivable invoice:

- Customers should be billed immediately upon product delivery and/or service completion.
- Accuracy of customer name and address. (The legal name rather than the name of the operating company).
- AR invoices must be billed to the customer who will have the legal responsibility to pay the full amount. Refrain from using "to the attention of" a specific individual.
- Accuracy of amount billed, amount of applicable taxes, payment terms, invoice description, interest bearing or non-interest bearing, remittance address, contact information for billing questions, other pertinent information and inclusion of attachments where applicable.
- Acceptable payment options identified.
- Standard terms are Net 30 days interest bearing, which should be supported by a binding contract, agreement or written acknowledgement in order to facilitate collection thereof, otherwise terms should be non-interest bearing.
- Maintain supporting documents for all corporate billings including appropriate authorizations. Supporting documents may include work orders, progress certificates, executed contracts etc.
- A long-term receivable (with a portion of the payment due greater than 1 year from invoice date) may only be issued with the assistance of the Manager of Accounting Services.
- Accounts receivable invoices should be mailed out within three (3) business days.